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INTELLIGENCE MEMORANDUM

AVAILABILITY OF CONSUMERS' GOODS IN THE EUROPEAN SATELLITES

CIA/RR IM-382

15 December 1953

WARNING

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CIA/RR IM-382
(ORR Project 0.16)

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AVAILABILITY OF CONSUMERS' GOODS IN THE EUROPEAN SATELLITES*

Summary

In general, the per capita availability of consumers' goods in the European Satellites has remained below the prewar scale of achievement in these countries.

Per capita production and availability of food and agriculture products in the European Satellites has remained, on the average, below prewar levels during the period 1946-53. In addition, the poor agricultural crop of 1952 sharply reduced the availability of key foodstuffs, resulting in serious food shortages in Hungary, Rumania, Albania, and East Germany.

Prewar per capita levels of production of manufactured consumers' goods in the European Satellites have, on the average, been met and exceeded. Bulgaria and Rumania, however, lagged in reaching the prewar level; there has been a decline in Polish and Czechoslovak production in 1952 and 1953, and East Germany has attained only about 70 percent of the prewar per capita production. Both the quality and availability of the output of manufactured consumers' goods, moreover, appear to be below prewar levels, critically so in East Germany and Rumania. The reason for the low availability ostensibly is the export of these items to the USSR, since there is little trade with the West in these commodities.

In contrast to the production of consumers' goods, the per capita production of construction materials rose quickly to above prewar levels after the beginning of the postwar reconstruction program. The increased production of construction materials, however, has not resulted in the construction of enough housing to permit prewar levels of living accommodations, because of the extensive demands of new industrial construction, wartime rehabilitation, and rapid urbanization. These factors have created what appears to be a chronic housing shortage throughout the European Satellites.

* This report contains information available as of 20 October 1953.

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Although food and agricultural production are unlikely to exceed the 1950 level in the near future, a return to prewar levels of availability for other consumers' goods appears to be contingent upon some combination of the following two policies: (1) a reduction of the export of these items to the USSR and a resumption of trade in consumers' goods with the Western world, which would enhance the terms of trade of the European Satellites, and (2) an increased emphasis on consumers' goods production in the Satellites themselves. There is recent evidence of a revision in planned targets. Several decrees have been announced in the Satellite countries ordering an increased investment in consumers' goods industries and a reduction in the rate of growth in heavy industry, together with a marked shift in the relative share of employment in consumers' goods industries and heavy industry.

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S-E-C-R-E-T1. Food Situation.

The 1952-53 food situation was probably the worst that the Communist regimes in Eastern Europe have had to face in the postwar period. Unfavorable weather conditions throughout the greater part of Eastern Europe during the 1951-52 growing season and, to a lesser extent, Communist agricultural policies created a shortfall in the 1952 production of cereals (particularly corn in southeastern Europe), potatoes, sugar beets, vegetable oilseeds, and vegetables. The effects of the resulting food shortages during the 1952-53 food consumption year (1 July 1952-30 June 1953) ranged from serious in Hungary, Rumania, Albania, and East Germany to only slight in Poland, Bulgaria, and Czechoslovakia. The only areas where famine may have occurred were in the normally food-deficit mountain regions of Albania and Rumania, where the peasants are primarily dependent upon corn bread -- Albanian and Rumanian corn production in 1952 was estimated to be only 50 percent of normal.

Food shortages among the industrial workers were partially relieved by the Satellite governments by drawing either upon state reserves or (in the case of East Germany) upon supplemental food imports from the USSR. 1/* The production and availability of food and agricultural commodities is presented in Table 1.** Table 1 indicates the average caloric consumption per person in the European Satellites during the prewar period and for the years 1951-52 and 1952-53. This table does not evaluate the caloric intake qualitatively. The sharp postwar decline in the consumption of meat, fats and oils, and sugar noted in Table 4** in Appendix A has been replaced by higher consumption of grain, grain products, and potatoes.

The outlook for the 1953-54 food consumption year as compared with 1952-53 is somewhat brighter from the point of view of crop production. Production of the major grain, potato, sugar beet, and oilseed crops in 1953 has been estimated as being significantly above the production of these commodities in 1952. Meat and animal fats (including butter) will continue to be in short supply, however, and by spring 1954 the shortage may be worse than in 1953 except

* Footnote references in arabic numerals are to sources listed in Appendix B.

** Table 1 follows on p. 4. See also Appendix A, Tables 3 and 4, p. 14, below. It should be noted that agricultural production estimates in Table 3 are inclusive of agricultural stockpiles.

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Table 1 2/

Average Daily Per Capita Caloric Intake a/
in the European Satellites
Prewar, 1951-52, b/ and 1952-53 b/

Country	Calories			1952-53	
	Prewar	1951-52	1952-53 <u>c</u> /	As Percent of Prewar	As Percent of 1951-52
Albania	1,597 <u>d</u> /	1,624	1,440	90.2	88.7
Bulgaria	2,399 <u>d</u> /	2,326	2,203	91.8	94.7
Czechoslovakia	2,300 <u>d</u> /	2,364	2,124	92.3	89.8
East Germany	2,612 <u>e</u> /	2,081	1,917	73.4	92.1
Hungary	2,468 <u>d</u> /	2,367	2,257	91.5	95.4
Poland	2,572 <u>f</u> /	2,723	2,614	101.6	96.0
Rumania	2,523 <u>d</u> /	2,483	1,884	74.7	75.9

a. Composed of the following commodities: grains, sugar, potatoes, meat, animal fats, and vegetable oils. These commodities normally account for 90 to 95 percent of total calories.

b. Preliminary estimates.

c. Reduced availabilities of milk, cheese, eggs, vegetables, and legumes probably account for a smaller proportion of total calories consumed than in prewar years or in 1951-52.

d. 1933-37 average.

e. 1935-38 average.

f. 1934-38 average.

possibly in East Germany. East Germany may be somewhat better off in this respect if the USSR fulfills its trade obligations and reduces occupation requirements. Although there should be increased food supplies in urban centers in the Satellite countries, periodic shortages may continue to plague the housewife as a result of the malfunctioning of procurement and distribution systems throughout the area.

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The estimated increase in the supply of bread, sugar, potatoes, and vegetables to urban workers probably will not be sufficient to allay their dissatisfaction with the composition of their food supplies, since shortages of meat and fats and oils will continue. The latter group of commodities is that most wanted and needed by the industrial worker. In the prewar diet, grain accounted for 54 percent of the total, and meat, fats and oils, sugar, potatoes, and other foods accounted for 46 percent. In 1952-53 these percentages were 64 and 36, respectively. ^{3/} Thus, were the value of food production (see indexes in Table 3* in Appendix A) to attain prewar levels, the production would not contribute the same measure of consumer satisfaction.

2. Trade in Consumers' Goods.

The poor agricultural harvest of the European Satellites in 1952 created a serious dislocation in the pattern of intra-Bloc trade in consumers' goods. The USSR was obliged to expand its shipment of grain to the Satellites, which normally have a net grain surplus. The Satellites were obliged to curtail shipments to other Satellites and to the USSR and to reduce drastically exports to non-Bloc countries. Table 2** indicates the trade situation of a selected group of consumers' goods for the year 1 July 1952 through 30 June 1953. The Balkan Satellites, normally large exporters of grain and potatoes, exported negligible supplies of these products during the period. Indeed, Hungary and Albania had a net import status. Czechoslovakia and East Germany, normally food-deficit areas, were required to increase substantially their import of agricultural and food products.

Supplemental agreements have been concluded by the USSR, Communist China, Bulgaria, and Hungary to provide East Germany with additional food, hides and skins, textiles, and clothing during the second half of 1953. The USSR, specifically, has undertaken to increase food and cotton exports to East Germany 8 percent above the level provided by the 1953 calendar year trade agreement.

Quantitative data are unavailable at this time for the movement of agricultural commodities and light consumers' goods between Eastern Europe and the USSR for 1953-54. However, it is expected

* Table 3 follows on p. 14.

** Table 2 follows on p. 6.

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Table 2

Estimated Trade of the European Satellites with the USSR
in Selected Consumers' Goods a/

1 July 1952-30 June 1953

Consumers' Goods	Albania	Bulgaria	Czechoslovakia	East Germany ^{c/}	Hungary	Poland	Rumania	Total
Grains	+75,000	-20,000	+895,000	+425,000	d/	-260,000	-16,000	+ 1,099,000
Sugar	0	0	0	- 60,000	0	- 40,000	0	- 100,000
Potatoes	0	0	0	-200,000	0	0	0	- 200,000
Meat (Carcass Weight)	+ 100	- 5,000	+ 6,000	+10,000	0	N.A.	-30,000	- 18,900
Fish	0	0	0	+ 5,000	0	0	0	+ 5,000
Live Animals	+ 100	-10,000	0	0	- 5,000	0	- 2,000	- 16,900
Dairy Products ^{e/}	0	- 200	0	+ 1,500 ^{g/}	- 100	0	0	+ 1,200
Animal Fat ^{f/}	0	0	+ 10,000	+ 30,000	0	- 5,000	0	+ 35,000
Vegetable Oils ^{h/}	+ 2,600	0	+ 11,000	+ 13,000	+ 5,000	0	0	+ 31,600
Tobacco	0	-20,000	0	0	0	0	0	- 20,000
Wool (Grease Weight) ^{i/}	0	0	N.A. ^{i/}	N.A. ^{i/}	0	0	0	+ 8,000
Cotton (Ginned) ^{j/}	0	+ 5,000	+ 50,000	+ 55,000	+18,000	+ 70,000	+22,000	+ 220,000
Synthetic Fibers	0	0	- 1,500 to -4,500	- 10,500	0	0	0	-12,000 to -15,000
Footwear (Shoes) ^{b/}	0	0	- 4 to -5 ^{b/}	0	0	0	0	- 4 to -5 ^{b/}

a. Plus sign (+) indicates flow of trade from the USSR to the European Satellites. Negative sign (-) indicates flow of trade from the European Satellites to the USSR.

b. Footwear (Shoes) measured in million pairs.

c. East German supplies of food to Soviet occupation troops and reparations are considered as exports. These data are therefore shown as net trade figures.

Unknown quantities of seed grain were imported from the USSR.

Table 2

Estimated Trade of the European Satellites with the USSR
in Selected Consumers' Goods
1 July 1952-30 June 1953
(Continued)

- e. Includes eggs; see also footnote f, below.
f. Includes bacon and butter.
g. Six-month goal.
h. Only edible oils considered.
i. A portion of the wool exported from the USSR to the European Satellites (Czechoslovakia and East Germany) is returned to the USSR in the form of wool fabric. The wool fabric which is returned to the USSR (approximately 4 million to 5 million meters in the 1952 trade year) is comprised of finer grades of wool than that exported by the USSR to the Satellites.
j. The total net import figure of the European Satellites for ginned cotton does not represent the exact trade picture, since some of the cotton is returned to the USSR in the form of cloth (85 million to 95 million meters in the 1952 trade year). Approximately 5 to 6 percent of the total cotton cloth production of the European Satellites is exported to the USSR. In 1952 this amounted to an equivalent of about 10,000 metric tons of ginned cotton. Statistics for the cotton trade are based on the 1952 calendar year.

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because of improved crop conditions that larger quantities of grains, sugar, oilseeds, and tobacco will be moving from surplus areas to deficit areas within Eastern Europe in 1953-54 than moved during 1952-53.

It is probable that in 1953-54, quantities of agricultural commodities traded among the European Satellites and between the Satellites and the USSR will approximate the 1951-52 level. One exception may be the trade in grains between Eastern Europe and the USSR. The USSR will not be required to export so large a quantity of grain to Eastern Europe during 1953-54 as in 1952-53. There probably will be a movement of grain from Eastern Europe to the USSR in 1953-54. This movement is to some extent to reinforce Soviet feed requirements, but, to a larger extent, the movement will result in transshipment of the grain by the USSR.

3. Manufactured Consumers' Goods and Housing.

The picture of manufactured consumers' goods and housing presents a more difficult problem for analysis than the food and agricultural situation. Per capita production of a representative sample of manufactured consumers' goods which included an estimate of manufactured food items (see Table 5* in Appendix A) indicates that there was a rapid restoration of prewar production levels in Czechoslovakia, Hungary, and Poland. Bulgaria and Rumania did not achieve prewar production levels until 1953, and it is highly questionable whether or not Rumania will actually equal prewar production during 1953. East Germany probably will be unable to attain 70 percent of its prewar consumers' goods output by year end 1953. Although the East German area produced a surplus of consumers' goods end items prior to the war, it is believed that present levels of production fall well short of the local requirements of the prewar area.

Per capita production of the light and textile industries has followed much the same course outlined above for the entire consumers' goods sector (as evidenced by Table 6** in Appendix A). The light and textile industries have shown a more pronounced tendency to decline recently (1951-53) in the countries which had attained relatively high postwar production indexes in manufactured consumers' goods. Simultaneously, there has occurred an exceedingly rapid rate of growth in this sector for those nations which had displayed poor

* P. 15, below.

** P. 15, below.

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postwar production records. It is difficult to reconcile these tendencies in terms of the pattern of industrialization and planned production for East Germany. The recent rapid rate of growth in Bulgaria and Rumania may be partially accounted for as the result of an expanding industrial base.

Woolen textiles and shoes, two major items of importance in the manufactured consumers' goods field, were in short supply. Per capita availability of woolen textiles for the current year is least likely to improve unless external purchases of raw material are made before the end of the year. As for shoes, no single Eastern European country, with the exception of Czechoslovakia, has an annual per capita availability of manufactured shoes higher than 1 pair per person, as compared to almost 2 pairs per person in the USSR. No significant change is expected during the next year. In addition, because of the shortage of leather, the quality has declined, and more shoes with canvas tops and leather soles are being produced in place of all-leather shoes.

An increase in the production of construction materials has been included in the analysis as a partial indicator of the level of housing construction. In every European Satellite, present per capita levels of production of construction materials exceed prewar levels (see Table 7* in Appendix A). For most countries, this higher level of output dates from the immediate postwar period. Wartime destruction of housing, plus the shift of large numbers of workers from the rural (agricultural) labor force to the urban (industrial) labor force, created an acute shortage of urban housing. Although substantial progress has been made in the way of new housing construction, there remains an acute housing shortage in urban industrial areas throughout the European Satellites.

To an outside observer, shortages in consumers' goods in Eastern Europe would not be apparent immediately. Although the list of items in short supply is a long one and should be extended beyond food and clothing to include, in some of the countries at least, soap, drugs, and various household goods, most of these items are to be found on the shelves of the stores, although often of such quality as to be virtually worthless.

* P. 16, below.

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To the average resident of the Satellite countries, however, consumers' goods shortages are all too real. The prices of available supplies of manufactured consumers' goods place these items beyond the income of the average worker's family. Despite substantial increases in the general level of production and national income, real wages -- after a rise from near starvation levels in the early postwar years -- have improved almost imperceptibly since 1948-49. ^{4/} The present level of real wages is probably below prewar levels in every country of the Satellite complex with the possible (but not probable) exception of Czechoslovakia. Limited price reductions have seldom kept pace with the expansion of production norms. Thus the flow of goods available to the worker from his income has changed but little.

4. Expansion of the Availability of Consumers' Goods.

An expansion in the availability of consumers' goods seems to be contingent on several factors, which frequently are mutually exclusive. There must be an expansion in the supply of consumers' goods made available within the Satellites. This condition may be achieved either by increased Satellite production, increased imports, or decreased exports of consumers' goods. Any expansion of domestic production will be delayed by the necessity to increase investment in the consumers' goods industries. Such an expansion will necessarily require a reduction in the rate of growth and, in most cases, of the level of employment in heavy industry. Some evidence has been presented to indicate that the latter change has been initiated in the Satellite area. Revision of plan targets in Hungary, East Germany, and Rumania in the summer of 1953 has pointed toward an effort to increase agricultural and light industrial output. Bulgaria, Czechoslovakia, and Poland have witnessed a series of agricultural and consumers' goods decrees pointed toward an increase in the production of consumers' goods end items.

Increased Satellite imports of manufactured consumers' goods are contingent upon an increased domestic availability for export of all types of consumers' goods, especially agricultural commodities. The heavy industry requirements imposed upon the Satellites by the USSR eliminate any likelihood of the export of machinery or other heavy industry products to the West. Thus it would appear that no imports of manufactured consumers' goods or of raw materials for the consumers' goods industry of any significant magnitude will be available until there has been a substantial increase in the internal output of agricultural and light industrial enterprises.

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The present consumers' goods export of the European Satellites is carried on almost entirely within the Soviet Bloc. For this reason, it is likely that cessation of the traffic would materially improve the availability situation in any given country if the exports were diverted to the free international market, although the extent of the resultant improvement can not be estimated, because the magnitude of intra-Bloc trade in consumers' goods is uncertain. Diversion of the exportable surplus of agricultural commodities and manufactured consumers' goods to Western markets would greatly enhance the terms of trade* on which the goods were exchanged. Better terms of trade would mean, in turn, a higher scale of living for the exporting nations.

* The concept "terms of trade" applied to international exchange indicates the exchange value of a given export surplus vis-a-vis a series of import alternatives. Terms of trade are "more favorable" the higher the internal value of an import alternative. Differences in the internal value of import alternatives are a function of differing intensity of demand for a given product in the various nations.

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APPENDIX A

INDEXES OF THE AVAILABILITY AND PRODUCTION
OF CONSUMERS' GOODS IN THE EUROPEAN SATELLITES

The population indexes used to prepare this report have been computed from the most recent branch estimates contained in the ORR Estimates File. The list of commodities considered in each sector and the constant prices used to weigh these commodities were compiled for the ORR contribution to NIE-65. 5/ Production estimates are based on the postwar territorial boundaries for the prewar base year given, as well as for the reported postwar years, and are derived from branch estimates prepared for the ORR contribution to NIE-87, as revised for use in ORR Project 0.4. The original and revised contributions are contained in ORR A/C files and are scheduled to be published in ORR Project 14.1.

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Table 3

Index of Per Capita Production of Agricultural Commodities
for the European Satellites
1948-52

(1938 = 100)

<u>Year</u>	<u>Bulgaria</u>	<u>Czecho- slovakia</u>	<u>East Germany</u>	<u>Hungary</u>	<u>Poland</u>	<u>Rumania</u>
1948	99.1	86.7	63.9	86.5	90.4	84.8
1949	95.5	94.4	64.6	88.4	96.8	78.6
1950	94.2	102.1	78.1	86.2	105.0	79.9
1951	98.5	99.2	81.1	94.3	93.3	89.0
1952	91.1	91.3	79.9	81.0	85.7	75.9

Table 4

Index of Per Capita Production of Meat, Fats and Oils, and Sugar
for the European Satellites
1948-52

(1938 = 100)

<u>Year</u>	<u>Bulgaria</u>	<u>Czecho- slovakia</u>	<u>East Germany</u>	<u>Hungary</u>	<u>Poland</u>	<u>Rumania</u>
1948	56.5	76.6	34.3	45.1	57.1	49.6
1949	58.1	83.7	41.0	55.5	63.1	55.4
1950	56.5	106.8	56.2	58.9	90.6	59.9
1951	55.7	98.4	65.7	56.5	94.0	59.5
1952	60.7	124.8	77.6	64.0	77.0	68.1

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Table 5

Index of Per Capita Production of Manufactured Consumers' Goods
for the European Satellites
1948-52

(1938 = 100)

<u>Year</u>	<u>Bulgaria</u>	<u>Czecho- slovakia</u>	<u>East Germany</u>	<u>Hungary</u>	<u>Poland</u>	<u>Rumania</u>
1948	86.3	123.5	27.1	89.9	98.4	63.9
1949	89.4	133.0	34.3	97.4	110.1	65.2
1950	89.2	132.2	47.1	104.3	118.5	74.1
1951	99.6	130.9	55.4	109.2	120.9	83.4
1952	98.3	129.8	68.3	102.3	117.2	98.1

Table 6

Index of Per Capita Production of the Light and Textile Industry
for the European Satellites
1948-52

(1938 = 100)

<u>Year</u>	<u>Bulgaria</u>	<u>Czecho- slovakia</u>	<u>East Germany</u>	<u>Hungary</u>	<u>Poland</u>	<u>Rumania</u>
1948	71.1	151.0	20.9	89.0	130.6	49.1
1949	78.0	163.0	29.4	105.6	147.9	55.3
1950	77.2	144.4	40.8	115.9	154.5	68.8
1951	90.8	144.4	48.2	115.8	156.1	77.9
1952	100.5	128.8	62.8	117.2	144.5	111.1

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Table 7

Index of Per Capita Production of Construction Materials
for the European Satellites
1948-52

(1938 = 100)

<u>Year</u>	<u>Bulgaria</u>	<u>Czecho- slovakia</u>	<u>East Germany</u>	<u>Hungary</u>	<u>Poland</u>	<u>Rumania</u>
1948	196.9	136.2	60.0	57.8	98.2	85.3
1949	N.A.	117.0	69.6	N.A.	118.7	105.1
1950	203.1	155.9	97.9	136.9	129.5	168.0
1951	213.7	186.9	105.8	163.6	135.9	155.3
1952	271.9	173.5	117.6	N.A.	134.9	295.6

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APPENDIX B

SOURCES

1. For a more complete study of the 1952-53 European Satellite food situation, see CIA/RR IP-334, Extent and Effects of 1952 Crop Failures in Eastern Europe, 10 Apr 1953. S.
2. Ibid, p. 7.
3. Ibid, pp. 8-15.
4. George Kemeny, "Eastern Europe: Developments in Social and Economic Structure", World Politics, Vol. VI, No. 1, pp. 74-83, Oct 1953.
5. CIA/RR 23, The Economy of the Soviet Bloc: Production Trends and 1957 Potential, 20 May 1953, Appendixes B (pp. 23-40) and C (pp. 41-46). S.

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